



INTRODUCTION

Asian Clearing Union (ACU) is the simplest form of payment arrangements whereby the participants settle payments for intra-regional transactions among the participating central banks on a multilateral basis. The main objectives of a clearing union are to facilitate payments among member countries for eligible transactions, thereby economizing on the use of foreign exchange reserves and transfer costs, as well as promoting trade among the participating countries. The ACU is a clearing union among other clearing houses/ payments arrangements operating in various regions of the world.

ESTABLISHMENT

The ACU was established at the initiative of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). The decision to establish the ACU was taken at the Fourth Ministerial Conference on Asian Economic Cooperation held in December 1970 at Kabul. The Draft Agreement Establishing the ACU, was finalized at a meeting of senior officials of the governments and central banks held at ESCAP, Bangkok, in December 1974 after five central banks (India, Iran, Nepal, Pakistan and Sri Lanka) signed the Agreement. Bangladesh and Myanmar were the sixth and seventh signatories to this Agreement. Bhutan signed the Agreement in 1999. As the ninth member, Maldives joined the ACU in 2009.

Secretary General

The Board is authorized to appoint a Secretary General for a term of three years. The Secretary General may be reappointed and shall cease to hold office when the Board so decides.

Agent

The Board of Directors may make arrangements with a central bank or monetary authority of a participant to provide the necessary services and facilities for the operation of the clearing facility. The Board has accepted the offer of Central Bank of the Islamic Republic of Iran to act as agent for the Union.

Language

The official language of the ACU is English.

ACU OPERATIONS

Units of Accounts

The accounts of the ACU shall be kept in the AMUs (viz. ACU dollar and ACU euro). The AMUs shall, with effect from 1st January 2009, be denominated as 'ACU dollar' and 'ACU euro'.

Settlement Period

Settlement of net position and accrued interest takes place at the end of each two monthly settlement period. The Board of Directors may change the length of the

settlement periods by a decision taken by unanimous vote of all of the Directors.

Interest

Interest shall be paid by net debtors and transferred to net creditors on daily outstandings between settlement dates. The rate of interest applicable for a settlement period will be the closing rate on the first working day of the last week of the previous calendar month offered by the Bank for International Settlements (BIS) for one month US dollar and Euro deposits.

Membership

Membership in the ACU is open to the central bank, treasury or the monetary authority of each regional member and associate member of the ESCAP located in the geographical area defined in the ESCAP's terms of reference. A central bank or monetary authority that is eligible to participate may apply to the Board of Directors to become a participant and be admitted as a participant if the Board so decides by a two-third vote of all the Directors and upon such central bank or monetary authority signing the Agreement and accepting the rules, regulations and decisions of the Board of Directors. The Chairman of the Board shall determine the date on which the payments and transfers with respect to such a participant shall be included in the clearing facility.

Composition

At present, the ACU enjoys the membership of the



following participants:

- Bangladesh Bank
- Royal Monetary Authority of Bhutan
- Reserve Bank of India
- Central Bank of the Islamic Republic of Iran
- Maldives Monetary Authority
- Central Bank of Myanmar
- Nepal Rastra Bank
- State Bank of Pakistan
- Central Bank of Sri Lanka

Relations with Other Organizations and Clearing Arrangements

There is no prohibition for the participants to cooperate with other general, regional or sub-regional international organizations or other payment arrangements among countries within or outside the ESCAP region.

Currency Swap Arrangement

The main objective of the SWAP arrangement is to extend short-term foreign exchange support by providing participants access to the international reserves of other participants in times of temporary liquidity problems. The potential benefits of the SWAP facility are:

- Easy access by participants to international reserves of other participants at a time when foreign exchange support is needed;
- Availability of the facility on a multilateral basis rather than on a bilateral basis; and
- The opportunity for further monetary cooperation

among the participants.

ACU ACHIEVEMENTS

Rapid Expansion of Trade

Since the inception of the ACU, transactions have experienced a remarkable growth.

No Default

Under the ACU Procedure Rules, the debtor participants should pay their dues in convertible currencies within four working days of the receipt of the notice of payment from the Secretary General. The experience of the ACU's operations from the inception to date proves that this requirement has been solemnly fulfilled by each participant on each and every occasion. There has been no default by any participant so far in meeting its obligation for the settlement of its net position within the stipulated time period. In comparison to other clearing arrangements among developing countries, the achievement of "zero default" is landmark of the success of the ACU.

GENERAL PUBLICATIONS

- Annual Report of the ACU is published once a year with the approval of the Board of Directors.
- Monthly Newsletters are published at the beginning of the month, outlining the activities and operations of the ACU in the preceding month.



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